



Key Action Points before conducting GST Audit and filing GSTR-9C

May 2019

CA Navya Malhotra

[B.Com(H), M. Com, ACA, DISA
Certified GST Member- The I.C.A.I.]



CA NAVYA MALHOTRA

+91 84471 37367

TOPICS TO BE COVERED DURING THE PRESENTATION:

- ☐ Points to remember in regard to Input Tax Credit to avoid its lapse.
- ☐ Action points for 2A vs 3B mismatches for FY 2017-18.
- ☐ Action points for reconciliation mismatches with books.
- ☐ Other key procedural requirement pertaining to FY 2017-18.
- ☐ Latest developments in GST in relation to ITC.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Critical Action points: Input Tax Credit



Input Tax Credit

Input tax credit in respect of input invoices raised during FY 2017-18:

- Section 16 (4) of CGST Act states that input tax credit of any invoice/ debit note shall not be available after the due date for filing the return **for September 2018** or after furnishing the annual return for FY 2017 -18; whichever is earlier.
- Accordingly, **invoices raised by vendors during FY 2017-18 for which input tax credit has not been availed should be identified** and the corresponding input tax credit (*subject to eligibility*) should be availed before the above prescribed date, failing which the said input tax credit could lapse.

Order No. 02/2018-Central Tax

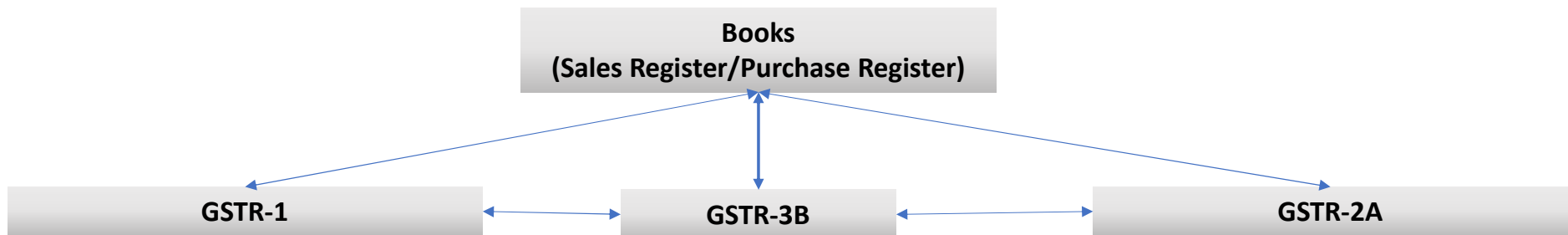
Dated: 31st December, 2018

“Provided that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of **March, 2019** in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.”.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Critical Action points: Input Tax Credit

Reconciliations



Identifying the types of Mismatches

- Identify credits appearing in GSTR 2A but not availed in purchase register.
- Identify credits availed in purchase register but not appearing in GSTR 2A.
- Identify Invoices raised by vendors during FY 2017-18 for which ITC has not been availed.
- Identify the advances that have been settled and the supply is complete, however the availment of ITC has not been made.
- Identify the incorrect entries in the Purchase/Sales Register corresponding to the counter returns.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Action points for 2A vs 3B vs Books mismatches for FY 2017-18

- ✓ To Carry out month to month working for mismatches
- ✓ To identify mismatches such as:
 - Invoice Number mismatches (T-101 and T/101)
 - Invoice Date Mismatch (31/01/2018 and 01/02/2018)
 - Difference of total Invoice Value with Taxable Value and corresponding Taxes
 - Quarterly vs Monthly credit mismatches
 - Difference of Place of Supplies
 - Difference in Time of Supplies
 - Difference in GSTIN (1 instead of I or 0 instead of O)



Most Critical:

ITC exists in GSTR-2A as well as in Books and availed in GSTR-3B, However, is ineligible as per section 17(5).

Action points for reconciliation mismatches with books

- ✓ To Carry out month to month working for mismatches.
- ✓ To quantify the amount of outward supplies booked in GSTR-1 and pay the corresponding taxes on the same along with the interest liability on the same.
- ✓ The amendments carried in subsequent FY up to 31st March 2019 return (13th April, 2019 GSTR-1) pertaining to FY 2017-18.
- ✓ To carry out working for the taxes and interest liability to be paid in relation to the outward supplies mentioned above.
- ✓ To carry out ITC reversals and pay the interest liability on the same, if any.



Most Critical:

Amendments carried in the GSTR-1

Other key procedural requirement pertaining to FY 2017-18

- Credit is required to be distributed by ISD registration based on the turnover of previous financial year/ previous quarter, as the case maybe. Accordingly, for **distributing the credit availed by ISD registration** from April 2018 onwards, the **turnover for distribution of credit** of previous financial year *or* the previous quarter, as the case maybe **should be recomputed** at a GSTIN level.
- As per the provisions of GST law, a consecutive document series (i.e. invoices, credit/debit note, delivery challan, receipt voucher, etc.) **unique for a financial year** is required to be maintained.



Most Critical:

Wrongful ISD credits booked in the nature of RCM. (ISD not allowed to book RCM Credits)

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Other key procedural requirement pertaining to FY 2017-18

Reconciliation of	Credit Availed on	Credit Not Availed on
Missing credits- Vouching	Sec 17(5) Blocked Credit- Repair & Maintenance of Vehicles	Fixed Asset purchase
Reversal of Credit- Non Payment 180 days	Attributable to Exempted Supplies	Expenses covered under RCM
Goods in Transit (Cut off Date)	Expenses where Place of Supply in different state	Bank Charges
Re-availment of reversed credits	Advance Payment	
Reversal as per Rule 42 and Rule 43	Improper Tax Invoice	



Most Critical:

Conditions for section 16(2) have to be checked properly.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Other key procedural requirement pertaining to FY 2017-18

Permanent disposal of Assets(if ITC taken)(Schedule 1)

Fixed Assets Written off

Assets Disposal register/Profit and Loss Account

Goods sent on approval basis

(Goods to be returned within 6 months, else treated as a supply)

Position of High Sea Sales

Exempt Supply and ITC to be reversed)- AAR (Maharashtra) Vs BASF Ltd

Composite Supplies –Rate of principal Supply

Freight, packaging charges, insurance charges, etc

Appropriate Classification of Transactions

Export Transaction classified as B2C transaction.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Transaction with Related Parties

Recoveries from Employees

- Canteen Recovery regarded as Supply (AAR: M/s CALTECH POLYMERS PVT LTD)
- Transport Recovery from Employees
- Recovery of Mobile phone/Laptop/Club expenses
- Recovery of Medicine Charges
- Interstate Stock Transfer- Payment to be made within 180 days to avoid reversal
- Gifts(more than 50,000 per employee in FY)

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Vouchers to be Maintained

Tax Invoice <ul style="list-style-type: none"> • Supply of taxable Goods • Supply of taxable Service 	Bill of Supply <ul style="list-style-type: none"> • For Supply of exempted goods / services • Composition supplier 	Receipt Voucher <ul style="list-style-type: none"> • For receipt of ADVANCE 	Refund Voucher <ul style="list-style-type: none"> • If advance refunded without supply of service/goods 	Revised Invoice <ul style="list-style-type: none"> • Newly registered person (>20L) • For transaction between date of liable to reg. to grant of reg.
<i>Self Invoice – RCM</i> <ul style="list-style-type: none"> • URP Purchase • Exemption: not exceeding 5,000 • Consolidated invoice- Monthly 	<i>Payment Vhr. - RCM</i> <ul style="list-style-type: none"> • For Payment to URP Vendor • And Also 9(3) 	Debit Note <ul style="list-style-type: none"> • Upward revision of rate • No time limit 	Credit Note <ul style="list-style-type: none"> • Downward revision of rate • Goods return / deficiency of service • Time limit 	Delivery Challans <ul style="list-style-type: none"> • Document for supply • Other than Supply (repair, JW)

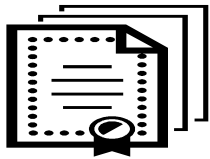
Key Action Points for GST Audit: CA NAVYA MALHOTRA

Advance Rulings



Salary for services like accounting, IT, human resource, provided by head office of a company to its branch offices in other states will attract 18 % GST-

Activities between two offices is regarded as supplies under GST-Karnataka AAR



Hotel accommodation & restaurant services consumed outside SEZs, taxable as 'intra-State' supplies

M/s GOGTE INFRASTRUCTURE DEVELOPMENT CORPORATION LTD-2018-VIL-30-AAR



Reverse Charge Shall be payable by importer in case of ocean freight and ITC of the same shall be available

MS BAHL PAPER MILLS LIMITED-2018-VIL-7-AAR



High Sea Sales are exempt sales , inputs and input services used for the same shall be reversed

MS BASF India Limited 2018



GST is leviable on recoveries made from the employees for canteen food provided by the employer as the same amounts to supply under GST

M/s CALTECH POLYMERS PVT LTD-2018-VIL-04-AAR

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Important Timelines

Duty Credit Scrip's (MEIS/SEIS)

01.07.2017 to 21.09.2017: 12%
 22.09.2017 to 12.10.2017: 5%
 13.10.2017 to present: 0%

01.07.2017 to 13.10.2017:

- Full rate of tax on merchant exports
- No refund on account of deemed exports

18.10.2017 to Present:

- Refund on deemed exports available to recipient/supplier

23.10.2017 to Present:

- 0.1% tax on supply to merchant exporters

Period	Taxability of Consideration received in Advance	
	Aggregate Turnover less than INR 1.5 cr	Aggregate Turnover more than INR 1.5 cr
Before 01.07.2017	Not Taxable	Not Taxable
01.07.2017 to 12.10.2017	Taxable	Taxable
13.10.2017 to 14.11.2017	Not Taxable	Taxable
15.11.2017 onwards	Not Taxable	Not Taxable

Key Action Points for GST Audit: CA NAVYA MALHOTRA

GST Rate: On supply of old Car

NN 37/2017-CTR
(w.e.f. 13.10.2017)
65% of Normal Tax and Cess

- NN 8/2018-CTR
- (w.e.f. 25.01.2018)
- 18%/12% on margin* | Cess 'Nil'

*How to calculate margin**

*(i) in case of a registered person who has claimed depreciation under section 32 of the **Income-Tax Act, 1961** (43 of 1961) on the said goods, the value that represents the margin of the supplier shall be the difference between the **consideration received** for supply of such goods and the **depreciated value** of such goods on the date of supply, and where the margin of such supply is negative, it shall be ignored; and*

(ii) in any other case, the value that represents the margin of supplier shall be, the difference between the selling price and the purchase price and where such margin is negative, it shall be ignored.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Reverse charge on Unregistered purchases (Section 9(4))

- NN-08/2017-Central Tax (Rate), dated 28-Jun-2017 notified CGST exemption relating to reverse charge on supplies received from any or **all unregistered persons up to Rs. 5,000/- in a day w.e.f. 1-Jul-2017.**
- NN-38/2017-Central Tax (Rate), dated **13-Oct-2017** amended NN-08/2017-Central Tax (Rate), dated 28-Jun-2017 and extended the exemption relating to reverse charge on supplies received from any or **all unregistered persons without any threshold limit till 31-Mar-2018.**
- NN-10/2018-Central Tax (Rate), dated 23-Mar-2018 amended NN-38/2017-Central Tax (Rate), dated 13-Oct-2017 and further extended the exemption **till 30-Jun-2018.**
- NN-12/2018-Central Tax (Rate), dated 29-Jun-2018 amended NN-10/2018-Central Tax (Rate), dated 23-Mar-2018 and further extended the exemption till **30-Sep-2018.**

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Issues under RCM

- Tax to be paid by recipient
- Tax rate, HSN, Valuation- a challenge
- Self Invoice, Payment Voucher under S. 31(3)-procedural lapses-area of litigation
- ITC available in the month in which payment is made
- Mandatory registration for S. 9(3) (talks about any recipient)
- Reimbursements to employees- procurement through unregistered suppliers
- RCM on URD purchases removed from 13-Oct-2017, taxes to be paid from 1-Jul-2017 to 12-Oct-2017
- Aggregate of inward supplies to be declared in annual return shall include all inward supplies (taxable inward supplies, exempt inward supplies and inward supplies from composition dealer)

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Time of Supply in case of Services covered under Reverse Charge

As per section 12 of the CGST Act, 2017 , In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the **time of supply** shall be the earlier of the following dates, namely:—

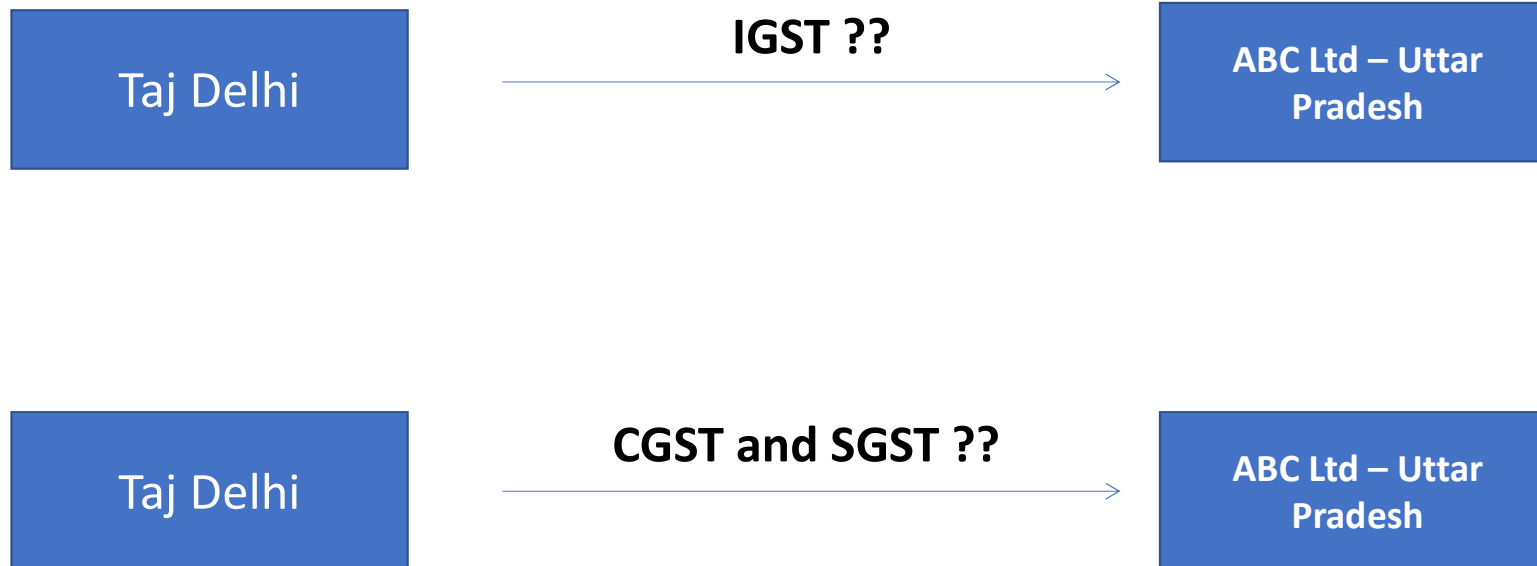
- (a) Date of payment or,
- (b) Date immediately following sixty days from the date of issue of invoice

What if payment is not made within 60 days from the date of invoice??? - Eg

Party Name	Date of Invoice	Date of payment	Time of Supply	Due date of Deposition	Deposit Date	Taxable Value	GST
Shraff legal	30.12.2017	Not Yet	28.02.2018	20.03.2018	Not yet deposited	31,500	5,670
Shardul Amarchand Mangaldas	17.08.2017	12.04.2018	16.10.2017	20.11.2017	Not yet deposited	261,258	47,026
Legislegal Advocates & Corporate Consultants	12.12.2017	27.04.2018	10.02.2018	20.03.2018	Not yet deposited	14,800	2,664
Legislegal Advocates & Corporate Consultants	12.12.2017	27.04.2018	10.02.2018	20.03.2018	Not yet deposited	33,000	5,940
Total						340,558	61,300

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Input Tax Credit – Hotel Accommodation Services



Key Action Points for GST Audit: CA NAVYA MALHOTRA

Cut off Date -When to book Input??

ABC Ltd
(Seller)

29th August 2017



XYZ Ltd
(Buyer)

1st Sept 2017

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Critical Action points: GSTR-3B for March 2019



Avail the eligible Input Tax Credit identified in GSTR-2A. (Subject to Section 16(2))



Pay the taxes and interest thereon for any delay in taxes for the FY 2017-18



Pay the taxes and interest thereon for any delay in taxes for the FY 2017-18



Pay the taxes and interest thereon for any wrong taxes paid due to erroneous Place of Supply. Pay interest on any delay in taxes paid due to Time of Supply provisions.



- ☐ Erroneous inputs in tables throughout the FY 2017-18.
- ☐ Checking of rate wise taxes paid and identifying any wrong taxes paid.
- ☐ Exemptions
- ☐ Transitional credits
- ☐ Rule 42, 43 reversals

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Reverse Charge Mechanism applicability on security services:

In terms of Notification no.29/2018- Central Tax (Rate) has been issued to include the security personnel services under the ambit of Reverse Charge Mechanism. The notification is effective from the **01/01/2019** and to be considered for the GSTR-3B of January 2019. This is similar to security agency services liable to RCM under Service Tax regime.

According to the notification: Security services provided by any person other than body corporate to a registered person, the recipient is liable to discharge GST under RCM.

Following persons are excluded from paying GST under RCM, these continues to be liable under the hands of security Agency (forward charge)

1. When the following authorities only taken registration for the purpose of deducting TDS
 - a. Department/establishment of CG, SG or UT
 - b. Local authority
 - c. Government agencies
2. Persons registered under composition scheme

The reverse charge provisions have been introduced only where services provided are in the nature of 'supply of security personnel' only. Further, the tax has to be paid under reverse charge mechanism on the gross amount charged (security personnel cost + PF + ESI + service charges + other charges) by the security service providers and not merely on the service charges.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

Reverse Charge Mechanism applicability on security services:

Supplier	Recipient	Reverse/Forward Charge
Body corporate (Unregd.)	Registered person	No GST
Body corporate (Regd.)	Registered person	FCM
Other than body corp. (Regd.)	Registered person	RCM
Other than body corp. (Regd.)	Regd. For TDS	FCM
Other than body corp. (Regd.)	Composite Dealer	FCM
Other than body corp. (uregd.)	Registered person	RCM
Registered person	Unregistered	FCM
Unregistered	Unregistered	No GST

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Original Sec 49

- (5) The amount of input tax credit available in the electronic credit ledger of the registered person on account of-
- (a) integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;
 - (b) the central tax shall first be utilised towards payment of central tax and amount remaining, if any, may be utilised towards the payment of integrated tax;
 - (c) the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;
 - (d) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;
 - (e) the central tax shall not be utilised towards payment of State tax or Union territory tax; and
 - (f) the State tax or Union territory tax shall not be utilised towards payment of central tax

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Total Output Liability of Current Tax Period:

IGST: 1,00,000

CGST: 1,00,000

SGST: 1,00,000

Total ITC of Current Tax period:

IGST: 2,00,000

CGST: 80,000 (Transitional Credit: CGST: 50,000)

SGST: 80,000

Particulars	IGST	CGST	SGST
Output Liability	1,00,000	1,00,000	1,00,000
Less: ITC (Intra-head)	1,00,000	1,00,000	80,000
Balance Liability	0	0	20,000
Less: ITC (Inter-Head)	0	0	20,000 (IGST)
Balance:	(80,000)	(30,000)	(0)

Original
Case

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Amendment Act

21. After section 49 of the principal Act, the following sections shall be inserted, namely:—

“49A. Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.

49B. Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub-section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.”.

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Total Output Liability of Current Tax Period:

IGST: 1,00,000

CGST: 1,00,000

SGST: 1,00,000

Total ITC of Current Tax period:

IGST: 2,00,000

CGST: 80,000 (Transitional Credit: CGST: 50,000)

SGST: 80,000

Particulars	IGST	CGST	SGST
Output Liability	1,00,000	1,00,000	1,00,000
Less: ITC (Inter-head)	1,00,000	1,00,000 (IGST)	0
Balance Liability	0	0	1,00,000
Less: ITC (Intra-Head)	0	0	80,000 (SGST)
Balance:	0	(1,30,000) (CGST)	20,000 (CASH)

As per
Amended
Act (49A)

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Rule 88A

5. In the said rules, after rule 88, the following rule shall be inserted, namely:

“Rule 88A. Order of utilization of input tax credit.- Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order:

Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.”.



Interpretational issue: Whether the IGST ITC can be utilised against CGST/SGST “in any order” and “in any manner”? There are no specific restrictions. Considering the intention of the change,

Key Action Points for GST Audit: CA NAVYA MALHOTRA

New ITC Rules

Total Output Liability of Current Tax Period:

IGST: 1,00,000

CGST: 1,00,000

SGST: 1,00,000

Total ITC of Current Tax period:

IGST: 2,00,000

CGST: 80,000 (Transitional Credit: CGST: 50,000)

SGST: 80,000

Particulars	IGST	CGST	SGST
Output Liability	1,00,000	1,00,000	1,00,000
Less: ITC (Inter-head)	1,00,000	0	1,00,000
Balance Liability	0	1,00,000	0
Less: ITC (Intra-Head)	0	1,00,000 (CGST)	0
Balance:	0	(30,000) (CGST)	(80,000) (SGST)

As per rule
88A
Effective
29th March,
2019

Key Action Points for GST Audit: CA NAVYA MALHOTRA



thank you!

Contact details are as below:

CA Navya Malhotra
Mobile: +91- 84471 37367

Email : navyamalhotra28@gmail.com

Facebook : CA Navya Malhotra

Address : A-1/368, Rohini Sector-17, New Delhi-110085